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- **Swing Trading Technical Analysis & Charting Part 1: 20/50/100/200 MAs, using MACD**

• Main Points:

- Moving average lines play an important role in helping you to determine where other traders will see support and resistance levels.
- Large financial trading firms buy and sell large quantities of stocks based on equations that include MA lines, so you should be on the lookout for 'bounces' and breakthroughs based on these important lines
- The most important lines to plot are the 20 50 100 and 200 MAs.
- The MACD is a pair of lines that you can use to help determine likely entry and exit points as well, when the lines cross each other it signals a trend reversal is likely.

- MA Lines are very useful in helping us determine how to play the 3 major chart patterns:

1. **Buying breakouts above resistance**
2. **Bottom bounces off support**
3. **Playing the support/resistance in a range**

The chart patterns below are great examples of each of these three patterns in motion, captured May 2000. Notice in each of the three TA lesson examples below we have a pair of charts: the 6-month "big picture" chart and the 10-day "swing trading" chart.

BREAKTHROUGH SWINGTRADING PLAY ABOVE RESISTANCE USING MA LINES

PLOTTING 20 50 100 200 MA LINES: 6-MONTH CSCO CHART

Notice in this 6-month chart that CSCO has:

- 1) always stayed above its 200MA (white) line,
- 2) has almost always stayed above its 100MA (orange) line.

What does this tell you? Overall, it's a strong stock, and that any weakness should be seen as a buy opportunity. It looks like 50-80 is the "wide range" for this stock, and that the 100MA at 63 should be considered a key support level. Use the MA lines to "map out" support and resistance for trading here.

We need more detailed information to trade it, though, so we look below at the 10-day chart:



10-day CSCO chart: What do we see here?

Sure enough, CSCO bounced off low 60's, once on 4/24 and again on 5/3.

This tells us that if we were to enter a swing trade here we should place our stop loss at right under decade resistance, or about 59 3/4 or so.

Our exit target should be right under the next MA line, the 100 MA, at about 70. So, the swing trade is:

A breakout play would be to buy once CSCO has crossed 70 1/2 or so, with a stop right under 70. **Bottom bounce play:** Enter/buy low 60's, stop loss right under 60, exit target 68-69.

Using MACD: notice where the lines cross at the bottom? First time/buy signal is towards the end of the day on 4/24, sell signals at the top on 4/26 and 5/1, buy signal on 5/3.

PLOTTING 20 MA AND MACD LINES: 10-DAY CSCO CHART



BOTTOM BOUNCE SWINGTRADING PLAY OFF SUPPORT USING MA LINES

MA Lines: CMGI has "lost 200 MA support at 80," so major fund managers probably won't be buying til it's over 81.

Notice that unlike CSCO from above, the MA lines (especially the red 20MA) have crossed over, a bearish downtrend reversal pattern.

In general, avoid these types of stocks for position trades, the swing trades you enter must use a previous (eg recent or 52-week) low as a stop loss level.

One bullish signal, we have CONSOLIDATION (choppiness) around the 50-70 level on the chart, this can precede a trend reversal.

Pop Quiz: Where should your maximum stop loss be for CMGI based on this chart? Answer below.

PLOTTING 20 50 100 200 MA LINES: 6-MONTH CMGI CHART



RANGE TRADING SWINGTRADING PLAY USING MA LINES

PLOTTING 20 50 100 200 MA LINES: 6-MONTH SPLS CHART

Finally, we have SPLS, a classic "rolling stock". You can see the recent trend is down, and that 22 is hard resistance, at the 200MA.

The other MA lines are not useful for us in trading this stock based on the chart to the right. What else do you notice "big picture"?

When SPLS dropped to 17 in Nov 99 there was a huge upside reversal. This is an important example of the kind of "big picture" chart patterns you should be aware of.



PLOTTING 20 MA AND MACD LINES: 10-DAY SPLS CHART

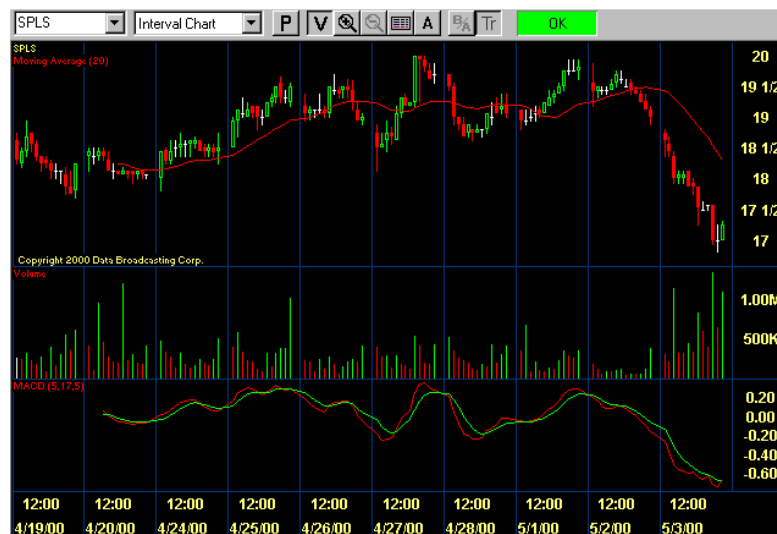
The MACD told us we had a buy opportunity on 4/27 and 4/28, when the lines crossed to the upside.

Notice the heavy selling volume on 5/3.

Based on our 6-month chart, I would enter a long position at 17 1/4 and expect a bounce back to at least 18 1/4 within a few days.

Knowing a stock's trading range and playing the channel is a fairly good way to swing trade. Make sure you're not channel playing a stock that's run up hugely in the last several months, those are "bubbles" that may burst, like the biotech did in Jan-Feb 2000.

Your stop on this swing trade would be right under support at 16 3/4 or so.



These sets of chart patterns should help you identify similar high-percentage trading opportunities as they occur.

In swing trading, you must always look at both the "big picture" 6-month (or longer) chart as well as a closer 10-day chart.

Stops must be adhered to right under support levels, to insure against large downturns.

Plot similar graphs using bigcharts.com or your quote provider, and see where you should set alerts and make trading decisions.

- Swing Trading Technical Analysis & Charting Part 2: Identifying Trends, Channels and Overbought/Oversold Conditions

● Main Points:

- Unlike daytrading, swing trading requires you to look at the "big picture" of multiday trading ranges to help determine good entry and exit prices.
- It's frequently helpful to look at stock charts in 6-month, 10-day and intraday timeframes to help determine where a good entry and exit is.
- My favorite strategies in swing trading involve buying towards the lower end of a trading range or buying breakouts above a previous resistance level.
- This lesson will show you a number of illustrated charts for oversold, overbought, trending and channel plays.
- 10-day charts are also particularly helpful in avoiding low-percentage trades, eg buying in the middle of a 10-day trading range is not a good idea for swing trades.
- Once you learn to recognize high-percentage chart patterns, you will be more likely to be successful in trading with the market sentiment. This lesson will show you what to look for in several key chart patterns.
- Swing trading is almost all based on chart pattern recognition, adding things like recent price movement and MA lines, volume and financials as additional reasons to enter/exit your trades.

OVERSOLD SWINGTRADING CHART PATTERN USING 10-Day & 6-month Charts

10-Day PSUN Chart:

Notice in this 10-day chart that PSUN has:

- 1) sold off to a low of 11 1/2-12, at which point you see huge buying volume.
- 2) started to rebound from the 12-13 area from a previous 10-day high of 23

What does this tell you? The first thing to do is to check why the stock dropped (same-store sales weaker than expected)....then, decide whether you think the drop in price was overdone or not.

The trade would have been to buy at 12, using a stop loss right under 12, eg at 11 1/2 or so for the swing trade. 10 would be the absolute maximum stop loss for this trade.



We should also look at the 6-month chart for PSUN as well

6-Month PSUN Chart:

to see where it came from.

Overall, the stock showed nice volatility and buying volume during the last six months.

Additionally, you can see that the drop to 12 had a Huge volume spike, which indicates a short-term bottom is probable.

Where is your exit target, then?

Well, I'd look to exit once right before 15, say at 14 3/4...sit out the run over 15, re-enter at 15 1/2 and sell right under 20, say at 19 1/2, and then perhaps buy again in the low 20s, say 20 1/2, selling out right under 25 again.

I sit out resistance areas, and re-buy once (and if) the stock breaks through resistance. I buy off support and sell into buyers on the way up.



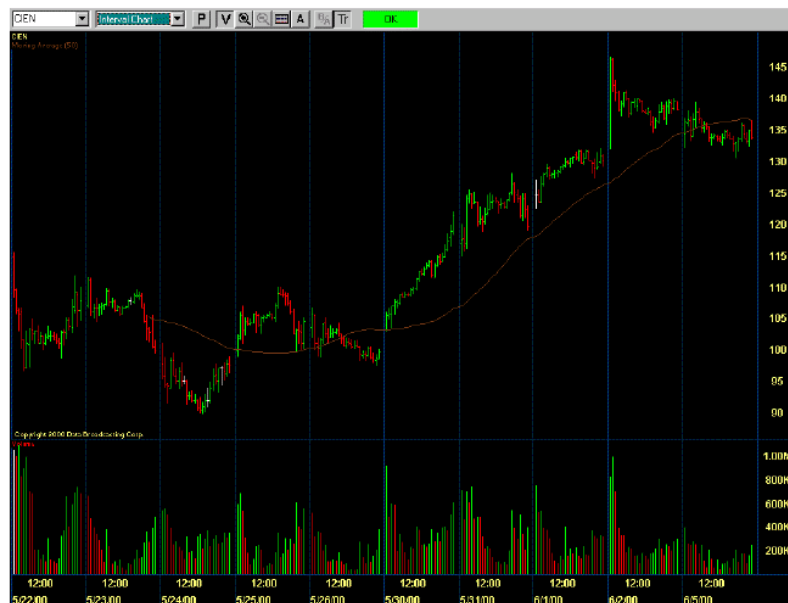
OVERBOUGHT SWINGTRADING CHART PATTERN USING 10-Day & 6-month Charts

10-Day CIEN Chart:

Overbought patterns are important to recognize for three trading opportunities:

- 1) to close out a long position you're in with a profit, before the stock turns back down
- 2) to avoid entering new long positions, since they are dangerous at overbought areas, you shouldn't chase the stock
- 3) to enter a new short position, with a cover stop right above the resistance area.

What does this 10-day CIEN chart say to you? Hopefully, you see that the market sold off the gap up to 145, and that it's consolidating in the mid 130s range. I would go long if it broke over 145 on volume, or, short it if it loses 130, with a cover stop at 131 or so.



6-Month CIEN Chart:

Notice a couple of key things from this 6-month CIEN chart:

- 1) It's been in a trading range from 90-100 support to 140ish resistance the last couple of months.
- 2) The stock will probably get sellers as it approaches 140-150 resistance, and buyers as it approaches 100 support.
- 3) If a breakout occurs, eg it goes over 150 on strong volumen, then it should be bought again.

Those are the three messages this 6-month chart tells me. That, and the 200MA is 80, so that's a likely support zone if the stock really tanks hard for some reason.

These are the things I want to encourage you to get a professional's eye for.



10-Day PUMA Chart:

Here's a **short-term** overbought PUMA chart from Mon June 5th 2000. We ran all the way from 20 to 35 in a matter of 3 days, on good news.

What are the trading opportunities here? Do you short it? Do you chase it and buy it here?

I would say do neither. You're too late for the huge run that the stock made, and, you don't want to fight the overall trend by shorting, as it could go higher.

Note the large end-of-day buying volume that propelled the stock's price up. This indicates a likely gap Up opening on the next trading day.

Let's look at PUMA in a 6-month perspective now so we can see what's going on:



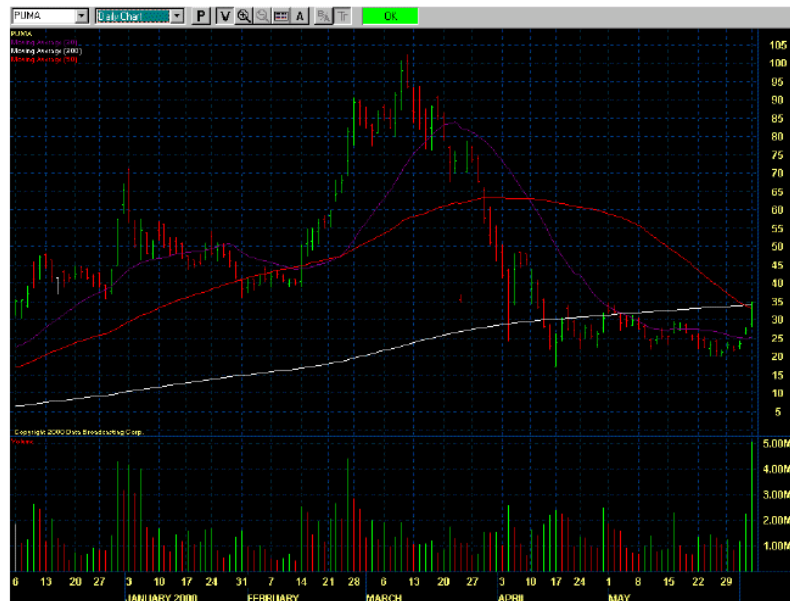
6-Month PUMA Chart:

PUMA in a 6-month horizon is telling you what? A couple of things:

- 1) it sold off from a high of 100 down to 16 in a couple of months.
- 2) PUMA was in a trading range from 20-30 for April and May.
- 3) PUMA just broke out of its trading range on record volume.

Is it overbought? Intraday, yes, I wouldn't be a buyer at 34 on the day it ran up from 27. But, the overall technical picture tells us there's a lot of room for PUMA to run to the upside if buyers continue. So, I'll be watching PUMA to look for new trading opportunities in this stock.

The chart shows high volatility, it tends to both run and drop quickly. Stop loss at 32ish for an entry at 34. Sell under 40 resistance.



CHANNEL SWINGTRADING CHART PATTERN USING 10-Day & 6-month Charts

10-Day RNWK Chart:

Here's a stock that's been oversold and is relatively safe for a trading channel, prior to a recent breakout, RNWK.

RNWK's 10-dy pattern shows you that it "rolled" between 31 support and 38 resistance several times, before breaking to the upside over 40 recently.

This stock was easy to play in the trading range, and was in our daily pick list for the entire week due to this. It's broken to the upside and has probably entered a new trading range. All we can see for now is that 45 is resistance and 40ish is support.

How do you trade it? I would not enter here, for a swing trade you'd wait for it to break over 45 to buy, or, wait for it to drop to 40 to buy, with a stop loss in at 39 3/8 or so.

What does the 'big picture' 6 month chart tell you here for RNWK?



6-Month RNWK Chart:

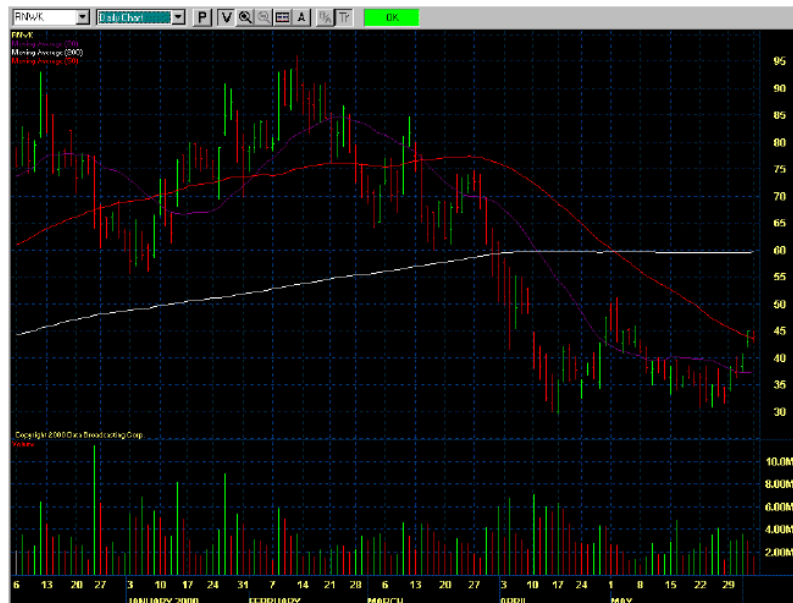
1) Lost 60 support from a high of 95 and sold off to a low of 30.

2) Recent trading range 31 to 40 or so.

3) Next major resistance at the 200MA at 60, next minor resistance at 50.

4) Caution sign: Volume has been lower in April/May timeframe than back in Jan-March... so, we want to make sure that VOLUME is a key determinant for making trade entries in this stock.

Other experienced traders all see the same things here, so we trade the support/resistance accordingly. Learn to trade on the side of the market and profit.



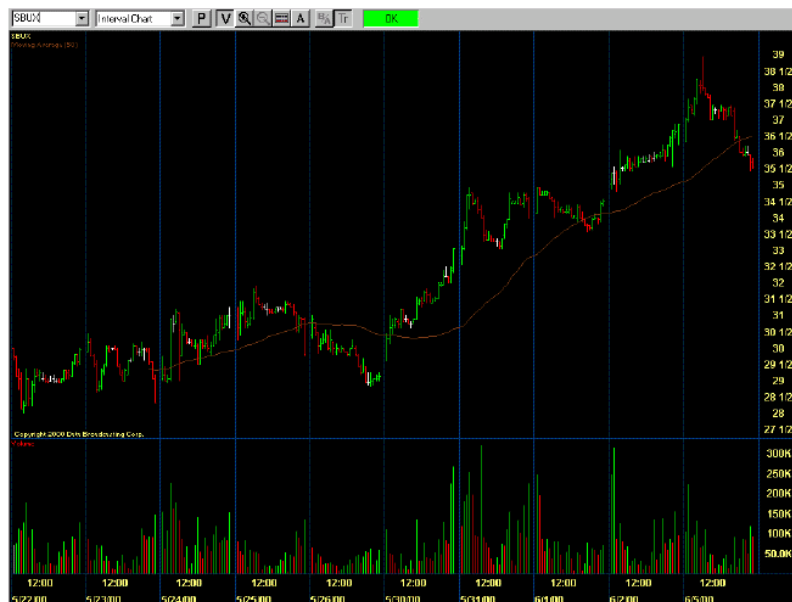
UPTRENDING SWINGTRADING CHART PATTERN USING 10-Day & 6-month Charts

10-Day SBUX Chart:

Finally, let's look at a couple of steady uptrending charts. It's tough to enter a trade for a stock that's been going up for a long time, because you know it's a matter of time before it sells off, and you don't want to buy the top, right?

The first chart I've shown here is a 10-day SBUX chart. It has had recent positive news and has been in an uptrend for the last couple of weeks. It seems that 40 is a strong resistance area for the stock, and the uptrend broke on the 10th day, with a close that was lower than the open, at around 35 1/2.

How would you trade it? Me, I'd scalp it on the way up, and consider a swing only if it bounced off a major support level like 30 (or, had an upside breakout above 40 1/2 or so).



Let's look at XLNX. The

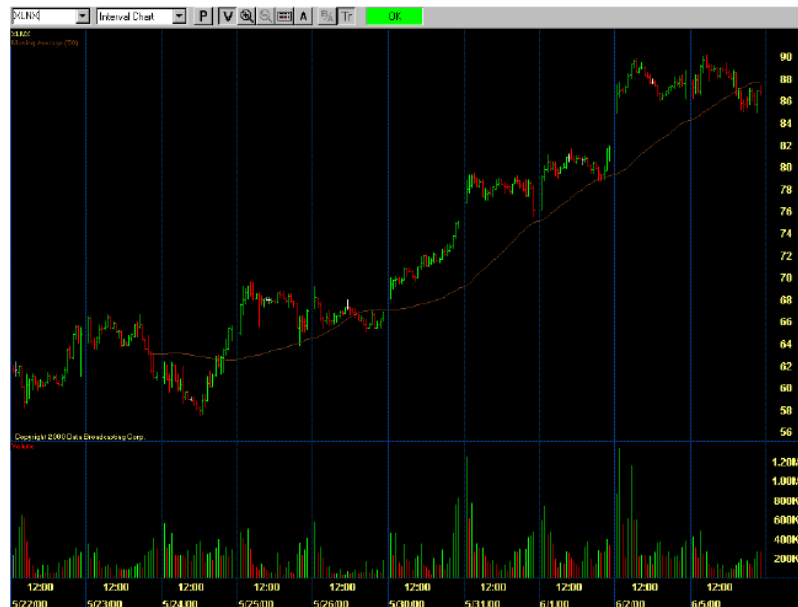
10-Day XLNX Chart:

semiconductors (AMD VTX)
XLNX) have all been doing well.

The chart shows steady buying over the last 10 days from low 60s to high 80s. We see a resistance area at the top near 90, right? So, you'd wait for the stock to go over 91 or so on volume before buying, or, wait for a bounce off a decade number support level (eg 80, 70, 60).

Recognizing trends is helpful, when there's no sellers than it means most people are confident the stock price will continue to rise over time, and are hesitant to sell.

Right now, it looks like a trading zone of 80-90 defines where the next trade opportunities will be for XLNX.



Remember, as is any kind of trading, we're always looking for high-percentage trading setups, ones where our risk:reward is small as possible. These chart patterns should help you learn what to look for in successful swing trades.

Remember to get 10-day charts and news at www.bigcharts.com if you don't have a pay quote service provider.

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- Understanding the Mechanics of Swing Trading: Recognizing Recurring Stock Patterns & Likelihood of Fibo Retracement

• Main Points:

- We use support and resistance to identify decent trade entries and exit points, right? Okay, let's look at this a bit closer using what are called **Fibonacci retracements**.
- Basically, you look to enter and exit positions based on a stock retracing off lines at approximately 38%, 50% and 62% of the total amount of the stock price's movement in one direction.
- For daytrading, this roughly divides the day's trading range, once established during the 9:30-10:30 period (roughly, that's where the highs and lows are often made), into the midpoint and the top third and bottom third.
- Similarly, for swing trades, you want to look at the 3-month and 6-month charts, along with the 10-day charts, to establish fibo retracement lines, to help you plan your trade ahead of time... you want to identify where the stock may be likely to run into sellers (if you're long) and get ready to exit the trade before the stock goes back down.
- I call these "recurring patterns" because they are price points at which buyers and sellers tend to reverse, or, points at which the stock may consolidate and "chop around" at, during morning trading..
- [Review this link](#) for a quick one-page tutorial on Fibo retracements at Equis.com... they have a great free online "TA from A to Z" resource there too, it's required reading for everyone, along with clearstation.com
- In time, you will not need to mechanically calculate these lines, or use software for it, it becomes 100% intuitive, eg you get a feel for automatically calculating these reversal areas. This, of course, occurs after you've spent hundreds of hours looking at thousands of charts.
- Again, a good rule of thumb is to look first for the midpoint of a trading range (eg notice a stock will make its "big move" from 9:30-10:30 then settle in at roughly half the distance between the high and low, the midpoint? This is where you should not be trading, low-percentage zone, rather look to buy off the fibo bands and the previous days' high and low support and resistance areas, etc.

USING FIBONACCI RETRACEMENTS WITH 10-DAY CHARTS FOR SWING TRADING

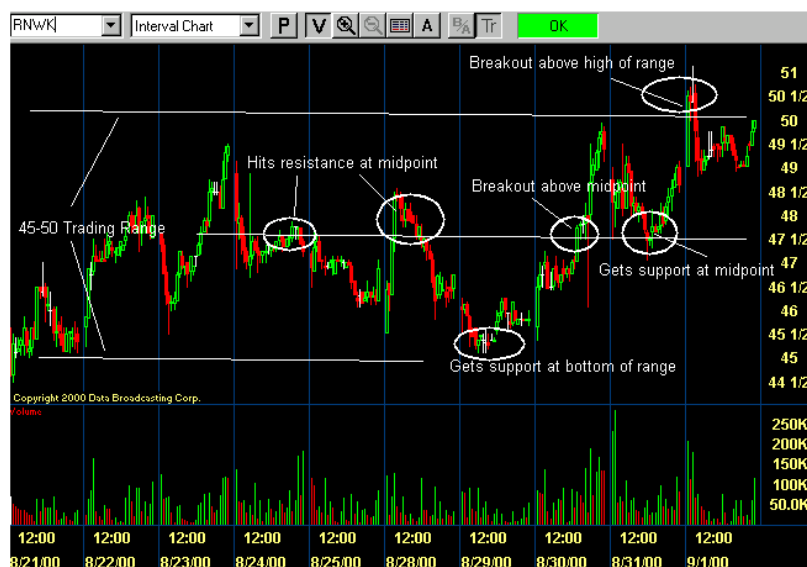
Look for trade entries and exits within a trading range at the 38%, 50% and 62% (or, roughly the midpoint and 1/3 and 2/3 points of the trading range)

See in this 10-day CRDS chart that:

- 1) our 10-day range is 7 to 14
- 2) after running up, the stock sold off down to a low of roughly 1/3 of the range, or 9...the buy point would be on a breakout above this level (also a good secondary target to cover a short in the stock off the top of the range, as is 68%, the first cover target)
- 3) buyers brought the stock back up the 2/3 of the total range, to roughly 12 1/2.
- 4) the next buy would be on a breakout above the range, above 14 or so, or, off a bounce that occurs on any of the prior bounce areas, eg off 9, 10, or through 12.

We look at a lot of midpoint (fibonacci 50%) trading in this 10-day chart of RNWK:

- 1) Ok the chart is busy, I wanted you to look for the same types of things that I do when trading RNWK.
- 2) The buy on 8/29 was obvious, as it was retesting a prior low... the stop loss would be at 44 1/2 or so, but we did in fact get buyers, at 10:30 as usual, off support. High-percentage easy day or swing trade entry.
- 3) there are a number of minor breakouts earlier in the week that would have been fine for daytrades (can you spot them in 8/23 and 8/28?).
- 4) the midpoint becomes a new support level for the stock on 8/31, as it went through 47 1/2 on good volume.
- 5) It broke out above a key resistance area, 50.
- 6) The next buy would be over 50 1/2 on good morning volume, with a stop loss at right around 50. Or, off support



at 47 1/2 bounce, or off support at 45 bounce.

Finally, let's look at 10 days of KANA - another well-annotated chart to help you see the precision with which I look at stocks. By the way, I do all this stuff I have annotated in my head, I wanted to show you what I'm looking at when I see this chart, using fibo retracements.

1) Okay, we define our range as 34 1/2 to 40... note that we didn't know where a bottom would attract buyers til 8/29... which is why we just watched it til then... never try to catch a falling knife or guess where the bottom is, for all I know it could have gone to 17... I wanted to see buyers come back in with strength.

2) Having defined our trading range (on 8/29), we then draw our midpoint line, at 37, and patiently wait to see buyers come back in above 37. If you are a swing trader who can't watch the market closely intraday, you might enter a buy limit order at 37, for example.



3) Now we know there will probably be resistance at the previous high, at 40, especially since it's a whole decade number, right? Right? Ok then.. so our exit target is right under 40, at, say, 39 5/8 or 39 3/4 or so. We lock in a 2 5/8 point profit on an overnight swing trade hold.

4) Did you blink and miss it? Remember this is how we trade professionally - you have to be aggressive and know your technicals and execute trades accordingly. It takes discipline, study and practice. No it's not easy. A 9-5 day job is easy I suppose. Then again, you get paid a whole lot less for that too!

Does this make sense to you? Not yet? That's ok, it will in time - just remember to use the 1/3, 1/2 and 2/3 as a rough trading guide to help you decide when to get in and out of trades. This also applies to intraday and to longer-term (eg 3- or 6-month) time intervals as well. Apply it to the unique trading style and risk management strategy you have for your stocks.

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- Chart Patterns: Buying into Pullbacks vs. Dead Cat Bounces

• Main Points:

- When it comes to identifying good trade entries for swing trades, I like to pay attention to both "dead cat bounces" and buying into pullbacks on slow uptrending stocks.
- **Dead cat bounces:** when a stock sells off more than 15-20% for a big gap down, and gets a wave of buyers within the first trading hour after the gap down... (these are also good for daytrades, especially when played premarket over ISLD).
- **A note on buying bottoms:** frequently, I've found that the first bottom isn't the 'real' bottom, a second selling wave can also follow, which can be painful... which is why stops are so important... look for consolidation (see column to right) before trying to buy a bottom, or an otherwise compelling technical reason on the chart, eg it's bouncing off a 52-week low that's a decade number (like 20 or 30) at 10:30... and of course you need to still keep a tight (3-5%) stop.
- **Buying into pullbacks:** a stock has been gradually bought over a long time period (eg 3-6 months) in a slow steady uptrend... you can buy it on a pullback, again with a stop loss right under a previous low.
- **Consolidations and why they're important** when you're bottom fishing: a 'consolidation' is when a stock has reached a tight trading range that it hasn't yet broken out of. Let's say AMZN sells off down to 28 over a couple of days... do you buy yet? No... you wait for either a sharp reversal (more of a daytrade), or wait for the stock to "settle" into a tight trading range for at least 2-3 days. Why? Because this tells you buyers and sellers are evenly matched, eg the sellers are no longer in firm control. The stock looks flat. You then buy when the stock makes a new high right above the trading range (with a stop under the top of the range). This tells you that buyers are in control, at least for now, and a trade can be entered from the long position. The inverse of all the above is true for shorts, naturally.
- Another good example is HLT after it sold off, it stopped selling off and traded in a tight range for several days before getting buyers, at which point a high-percentage trade entry could be made.

BOTTOM FISHING (BOUNCE) CHART PATTERNS

In swing trading, we always pay attention to both the 3-6month and 10-day chart.

Here's a tip you never hear about: when buying into dips for a downtrending stock, Make Sure that **buyers re-emerge regularly** and that it's not a slow decline with no buying interest (see ETYS for example)...in other words, make sure there's some volatility, **ups and downs**, in the 6-month or 3-month chart if you're buying into a downtrend. You can see this in the 6-month DISH chart to the above right.

Lets look at the 10-day DISH chart now for the 'real action'. Where do you see consolidation in this 10-day chart? The middle 4 days or so...eventually buyers win and the stock breaks above 34 1/2, where a swing trade buy should be entered.

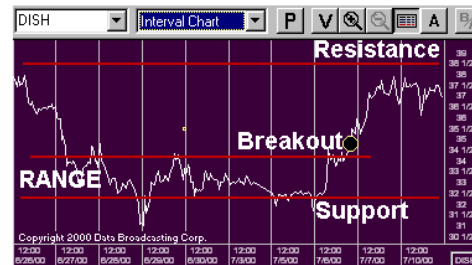
Now let's look at DCLK, my favorite daytrading stock of the moment. The downtrend looks pretty ugly, but, looking at a 1-year chart you see that 30ish is a 52-week low and we can expect support there. The stock consolidated around 40 for a couple of weeks, before dropping (and then bouncing).

When buying swing trading bottoms, I often have found the first bottom is not the real bottom...we see this in DCLK...I bought at 33 here, thinking it was the bottom, it sold off some more (you would stop out at 32 at the end of the day, taking a small loss)

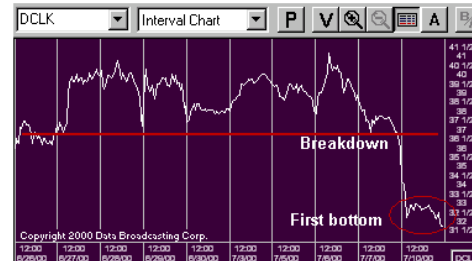
The next day, you can see it dropped all the way down to 29-30... you would buy again once it breaks over 30.

Now the real question is, where do you sell? I would sell right under 40 (previous consolidation zone, where buyers and sellers disagree), and re-enter right above 41 or so. Earnings are due out,

6-month and 10-day DISH Charts:



6-month and 10-day DCLK charts:



which provides another gap 'wild card'.

HLIT: Strong selloff down to low 20s from a high of 160...hmm probably a good time to buy, with an exit target of 60-70 over a one-quarter (3-month) time interval.

I like the consolidation right over 20, this looks to be the bottom for HLIT.

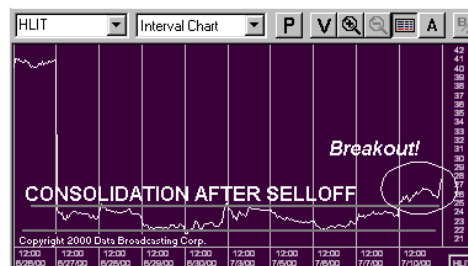
In looking at the 10-day chart for HLIT, we enter a buy after the breakout from the consolidation range of 22-25...eg we buy the stock at 25 1/2 or so. Our initial exit target is roughly 1/3 to half the difference from where it dropped...eg it dropped from 41, we buy at 25 1/2, we look to sell at right under 30 (29 1/2) the first time, then buy again at 31 or so and look to sell again at 37-39. Sit out the resistance areas at 'decade' numbers like 20 30 40, sell at the 8-9 and rebuy in at the 1-2.

Using the Composite and Sector Indexes to swing trade:

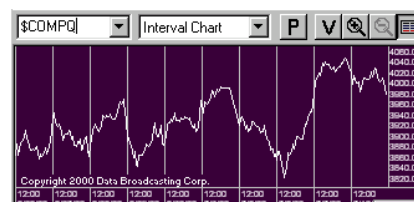
Ok, we also always watch our sector/index charts right? The one thing I want you to take away from looking at these two charts (Nasdaq Composite and Internet composite) is this:

The \$GIN is underperforming the \$COMPQ, so you don't buy internet stocks yet (wait for key support areas at the \$GIN for a bounce), and look for other sectors to play in long right now, eg semis or networkers, whatever's strong....use the divergence as a relative strength indicator.

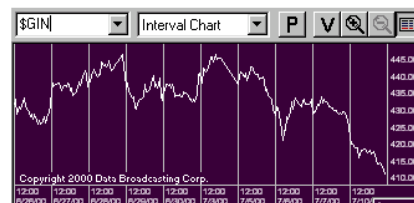
6-month and 10-day HLIT charts:



10-day Nasdaq Composite and Goldman-Sachs Internet Index charts:



internets are weak, short/sell/wait for a bounce (don't hold longs):



BUYING INTO PULLBACK CHART PATTERNS

10-Day COVD Chart:

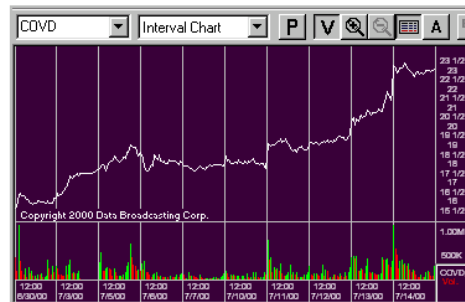
I find it difficult to buy into uptrends, as I hate to be the "bagholder" buying the top of the day. But, we need to be able to buy strong stocks that are getting stronger. How do we do this?

One strategy is to buy dips and breakouts in uptrends.

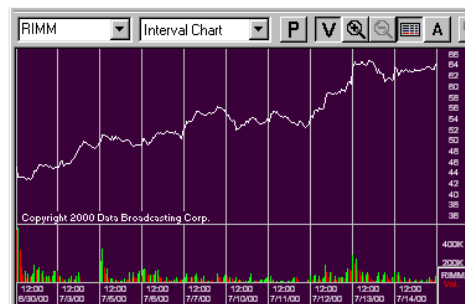
We said COVD was a buy at 18, ok it was, now what? I would have sold right under 20, buying again at 20 1/2...you see a consolidation here on the last day...I'd sell here and wait to rebuy a dip later. During the run up, you try to buy towards the 'bottom 1/3rd' of the day's trading range as a general goal.

Looking at RIMM here, you see lots of buying over a 10-day period. What do you notice regarding time-of day effects for RIMM? It generally tends to get afternoon buyers, do, this is a stock I'd look to buy more often in the afternoon, say 1:30-2pm, than in the morning. The low of the days tend to be at 10:30 and in the late afternoon as well, say at 3-3:30. These are the buy times for this stock.

Well, that should help with some of the patterns you should be on the lookout for in terms of swingtrading bottom bounces and uptrend buying times. Get to know the 'personality' of a few stocks and trade those.



10-Day RIMM Chart:



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MODULE 4

- Identifying High-Percentage Swing Trading Patterns: It's Saying "Buy Me Here"

● Main Points:

- We've covered a number of effective swing trading strategies in earlier lessons. This lesson will help you identify chart patterns that should be profitable if played with proper risk management and profit-taking strategies.
- Remember from one of our day trading lessons that you do not want to be "trading just to trade" or trading because you're bored, or because you're pressuring yourself to trade. Instead, you want to be a sniper looking for selective high-percentage chart setups
- A high-percentage swing trade is generally either buying a breakout above a 2-3 day consolidation, or a reversal after a sustained decline (eg it finally looks cheap to more buyers than sellers).
- In swing trading, this means we rely heavily on chart patterns, earnings calendars, and market/sector/index charts, along with 200MA and 50MA lines.
- Below, I've gathered a handful of what I consider to be high-percentage swing trading chart pattern setups that are worth watching for trade opportunities (August, 2000).
- Remember that good traders **respond** quickly to buy and sell patterns, **versus trying to predict** what will happen. I've been burned, as we all have, by "trying to catch a falling knife"...in swing trading many traders were wiped out in April's dip, because they did not use stops.
- The chart patterns below may well sell off and not be good swing trades, I don't know. All I know is how I'll trade each of them based on what the buyers and sellers are doing, I've got trade entry and exit points, along with stops identified for each pattern.
- Remember we use 10-day charts for all trading, especially good for identifying swing trade support and resistance levels. I also refer to a 1-year and a 3-month and/or 6-month chart.

MORE BOTTOM FISHING (BOUNCE) SWING TRADING CHART PATTERNS

KLIC Swing Trade

Remember, when buying what you think is the bottom, make sure you see an uptrend and/or volume reversal before buying, as the first bottom is often just the first of two. Let's look at KLIC here:

If you had bought the first bottom at 25, you'd be wrong... instead, you should pay attention to 2 things before buying any bottom for a swing trade:

1) Heavy volume

2) An uptrend, indicating buyers are stronger than sellers.

You did Not see either of these on the first drop on 8/1, so you wouldn't buy. You'd buy on either of them, eg on 8/3/00.

Where do we see this? On 8/3/00....is the trade good for more? Maybe, but I'd put my first exit target right under the consolidation at 23... since I sit out decade resistance I might buy at 16 1/4 and sell at 19 1/2 or so. A stop loss would be at 15, of course.



CRDS Swing Trade

Again, buying the first bottom at 9 on 7/27 would've been wrong...also I never buy 9's anyways (9,19,29,39,49) since there'll be resistance at the decade number above it. We see a heavy volume reversal at 11am on 7/28, a swing trade could've been entered there with a stop at the bottom at 4...

I'd wait though...a good next entry would be over 10, or, if the stock drops to 5 or so and starts to bounce, think is the bottom. Remember to be skeptical and wait for strong buying strength to enter the position...don't chase, but make it go through a previous resistance level or new high of day (hod) to enter.



MRVC Swing Trade

(I first heard about MRVC from Tony Oz's new book, it's got great volatility for trading).

What's the 2 key patterns you see here?

a) **Volume uptrend** off 10:30 bottom on 7/26.

b) **A double bottom at 50 support** on 8/2 and 8/3, followed by buying on 8/4.

What's the play? Well, I bought at 50 on 8/2 for a good trade...it ran 5 points in 1/2 hour, easy to play. Buying seems to have stalled at 60 on 8/4... If it gaps to 62 or so on the next trading day And Still Has buyers at 10am in an uptrend then I might buy, or off a pullback to 55 or so at 10:30.



KANA Swing Trade

What's the story on KANA here?

Well, a bunch of people sold it down to 40 on 7/27... but we didn't buy because ... ?

No uptrend...no buyers means I'm not going to buy either. Sure enough, it fell another 25% down to 30 on 8/3.

When do you buy next, you ask?

Well, I'd wait til it's over 40 1/2 resistance in an uptrend on better than average volume, or buy in the low 30's (30 to 31 1/2) on a reversal at 10:30.

Buying on the close on 8/4 at 36 probably would be ok too for a possible open gap to 36 1/2 - 37, but I wouldn't buy on a Friday for a weekend hold, rather I'll play on Monday 8/7 instead.



WSTL Swing Trade

Do we have a bottom bounce here? Well we do see both volume and an uptrend, so the answer is Yes, a buy on 8/3 would be ok...

Next entry would be at 18 1/4 on a morning uptrend, with a first exit target right under 20. Swing trade exit is at previous low in the downtrend, eg I'd be out at under 24 (buy 20 1/4 sell 23 1/3 or so).

Stop losses: Well you always place it at a previous low, so the absolute stop loss would be at 15 or so, I'd keep it a bit tighter, on cheap stocks like this every 1/2 point counts in a swing trade.

Bounce pattern: This is typical, look closely at 8/3: you see a morning selloff, a quick bounce, then it sells a bit and consolidates. The next trade entry would be right Above the high of the bounce point on 8/3, about 16 or so... This occurred at the end of the day, so I'd either buy for the next day's gap up (risky), or, more likely, buy on the next day as long as it stays above 16.



T Swing Trade

Whatever happened to poor T? I guess all those bargain long distance plans ate their lunch. Hah it's about time.

Anyways, what's the play? Actually, based on this chart pattern it's still a short.

However, we're getting close to 30 in a sustained downtrend. I would expect a lot of stops to get taken out at 30, and there should be a some volatility to take T up a fair amount from its current levels. That is, I'd expect to see 33 before I'd expect to see 27.

30 probably "looks cheap" to institutions, it looks cheap to me, I'd be a buyer, with a stop at right under 30, say at 29 3/4. Exit target at half the 10-day chart range (a fibo number), say at 32 1/2 or 33.



USING 1-YEAR CHARTS TO HELP IDENTIFY HIGH-PERCENTAGE SWING TRADES

Note: the bottom three 1-year charts are sorted in descending order of "strength", eg RNWK has the strongest chart, followed by DCLK followed by ATHM.

I also frequently (eg daily, before entering any swing trade) refer to 1-year and 3-month or 6-month charts to identify 50MA 200MA and major support/resistance levels.

RNWK Swing Trade- 1-year chart pattern

What do we see here? RNWK is in an uptrend here and now is a good time to buy the pullback to 40ish.

If you draw a trendline you see support at roughly 35, and tops right under the 200MA at 60.

A stop loss would be at no more than 5-8% of the share price, eg 2 points or so, with an exit target of right under 50 the first time, then a re-entry at 51 or so and exit target at right under 60.



DCLK Swing Trade- 1-year chart pattern

DCLK has got to be the very best buy out there right now, in my opinion. If I had 100K for a single position trade I'd buy DCLK at 36.

The one-year chart shows we're testing the 52-week low, and the financials on DCLK are the best of the internet stocks, period.

Privacy overhang issues have been resolved, and I am positive DCLK, once over 40, will "never look back". Keep this one on your watchlist.

I could be very wrong, maybe DCLK will go to 15 in the next few months. That's what stops are for.

DCLK is currently my favorite trading stock for both swing and day trades, along with EXDS RNWK MRVC.



ATHM Swing Trade- 1-year chart pattern

ATHM looks like it's taken a beating and the sellers have clearly won for calendar 2000. Waiting for a bottom? I thought 20 would be a good bottom, but buyers never really came back into the stock.

Here we see it's dropped all the way to 13 1/2...this is probably the 'real bottom, but I'd wait til it's over 15 1/4 to buy back in.

Note that analysts ratings are often worthless (the first 4 letters kind of say it all lol), this stock is highly-rated, as both RNWK as DCLK are, but has been selling all year long.

A somewhat riskier ATHM entry is to buy now and put a stop in at 13 1/2 (which I did last week).

